

Message Text

LIMITED OFFICIAL USE

PAGE 01 COPENH 01589 111746Z

72

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 H-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 RSR-01 /170 W

----- 053956

R 111642Z JUL 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7289

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE COPENHAGEN 1589

E.O. 11652 N/A

TAGS: EFIN DA EEC

SUBJ: DANISH KRONER RECOVERS; DISCOUNT RATE RAISED

REF: COPENHAGEN 1571

1. ON JULY 11, FOR THE FIRST TIME IN TWO WEEKS, DANISH KRONER
MOVED OUT OF BOTTOM POSITION IN EUROPEAN SNAKE TO WITHIN
0.1 PERCENT OF DMARK. REASONS MAY BE TRANSITORY AND BASED ON
SEASONAL FACTORS, BUT DANISH OFFICIALS ARE RELIEVED, AND ALL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 COPENH 01589 111746Z

RUMORS OF DEVALUATION HAVE CEASED. US DOLLAR, IN LINE WITH OVERALL

STRENGTHENING, WAS QUOTED AT 5.669.

2. ON SAME DAY, DANISH NATIONAL BANK RAISED ITS OFFICIAL DISCOUNT RATE 1 PERCENT TO 8 PERCENT. REDISCOUNT RATE WAS RAISED IN PARELLEL. LENDING RATES CONCOMITANTLY WENT UP ONE PERCENT ALSO. REASON FOR ACTION STATED BY NATIONAL BANK AS FOLLOWS: "THE INTERNATIONAL LEVEL OF INTEREST RATES - INCLUDING THE DISCOUNT RATES OF SEVERAL COUNTRIES - HAS BEEN RISING STEEPLY FOR SOME TIME.

THIS DEVELOPMENT HAS CAUSED A SHIFT IN THE RATIO BETWEEN THE DANISH SHORT-TERM LENDING RATE AND THE COST OF OBTAINING SHORT-TERM CREDITS ABOARD, AND CONSEQUENTLY THE FINANCING OF THE STILL LARGE DEFICIT OF THE BALANCE OF PAYMENTS MIGHT BE IMPEDED. THE RAISE OF THE DISCOUNT RATE IS THUS TO BE REGARDED AS AN ADJUSTMENT OF THE LEVEL OF THE DANISH SHORT-TERM INTEREST RATES TO THE INCREASED LEVEL ABROAD."

3. ECONOMICS MINISTRY OFFICIAL (USSING) TOLD EMBOFF THAT HIS MINISTRY HAD URGED RAISING OF DISCOUNT RATE IN APRIL, BUT NATIONAL BANK RELUCTANT TO GO ALONG. IN HIS VIEW, ACTION WILL HAVE LITTLE OR NO DOMESTIC EFFECT BUT IS NEEDED TO ASSURE THAT DENMARK REMAINS ATTRACTIVE TO FOREIGN FINANCIERS. NEED FOR LARGE FOREIGN BORROWINGS WILL CONTINUE SO LONG AS BALANCE OF PAYMENTS PROBLEM UNRESOLVED. USSING WAS QUOTE PESSIMISTIC ABOUT ANTICIPATED LARGE DIFICITS IN BOTH 1973 AND 1974. DUNNIGAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973COPENH01589
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730741/aaaabdxq.tel
Line Count: 88
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 COPENHAGEN 1571
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10-Sep-2001 by rowellE0>; APPROVED <21-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DANISH KRONER RECOVERS; DISCOUNT RATE RAISED
TAGS: EFIN, DA, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005